

VZCZCXRO3570
OO RUEHFK RUEHGH RUEHKSO RUEHNH
DE RUEHKO #0616/01 0780837
ZNY CCCCC ZZH
O 190837Z MAR 09
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1638
INFO RUEHUL/AMEMBASSY SEOUL 4369
RUEHFR/AMEMBASSY PARIS 6465
RUEHBJ/AMEMBASSY BEIJING 8344
RUEHKSO/AMCONSUL SAPPORO 3606
RUEHOK/AMCONSUL OSAKA KOBE 6858
RUEHFK/AMCONSUL FUKUOKA 3066
RUEHNH/AMCONSUL NAHA 5406
RUEHHK/AMCONSUL HONG KONG 6725
RUEHGH/AMCONSUL SHANGHAI 0550
RUEHIN/AIT TAIPEI 7277
RUEHBS/USEU BRUSSELS
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/TREASURY DEPT WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 000616

SIPDIS

USTR FOR AUSTR CUTLER, BEEMAN, HOLLOWAY
NSC FOR LOI, RUSSELL
PARIS FOR USOECID

E.O. 12958: DECL: 03/18/2019

TAGS: EFIN ECON PGOV JA

SUBJECT: INSURANCE: JAPAN POST MAKES MOVE TOWARD NEW CANCER PRODUCT

REF: A. TOKYO 555
 1B. TOKYO 387
 1C. TOKYO 335

Classified By: Charge James P. Zumwalt for reasons 1.4 b/d.

Summary

11. (C) By formally requesting a change to administrative ordinances, Japan Post Insurance took a step March 19 toward the issuance of a new cancer product that would directly compete with U.S. firms' core offerings. The application process, as defined by the law, could be quite long. However, reported comments by Minister of Internal Affairs and Communications Hatoyama -- in which he supported new product approval and directly challenged U.S. industry -- undermine the integrity of that application process. U.S. industry representatives expressed shock at Hatoyama's "direct, frontal assault" on trade commitments, and the Charge called the PM's office to convey U.S. concerns. End summary.

Request to Revise Administrative Ordinance

12. (C) Japan Post Insurance (JPI) asked March 19 for the revision of an administrative ordinance that governs the insurance products it can offer, Financial Services Agency (FSA) Postal Savings and Insurance Supervisory Director Toshiyuki Yasui told econoff. The request, which was submitted to the FSA, the Ministry of Internal Affairs and Communications (MIC), and the cabinet office secretariat to the Postal Services Privatization Committee (PSPC), references a third-sector cancer product and is structured to open the door to such a product application.

13. (U) Japan Post Insurance made its request public through a press statement later the same day. A copy and informal translation of JPI's public statement has been sent by email to EAP/J.

14. (C) The request is the latest in a rapid series of postal privatization developments. On March 13, the PSPC released an opinion paper on where postal privatization stands, including some guidance for regulators considering

applications for new products and requests for changes to administrative ordinances. (Originals and translations have been sent to EAP/J and other agencies.) On March 16, Chief Cabinet Secretary Kawamura convened an interagency meeting on Japan Post Insurance's plans and their potential effects on U.S.-Japan trade relations (septel). Shortly before JPI's March 19 press release, Postal Privatization Headquarters -- a committee chaired by PM Aso and including all cabinet members -- endorsed the PSPC's March 13 paper and forwarded it to the Diet as part of a legislatively mandated three-year review of postal privatization.

¶15. (C) Speaking candidly, FSA Director Yasui told econoff the PSPC's opinion and signals from the Postal Privatization Headquarters had "emboldened" Japan Post Insurance to move forward with its request for a change to relevant administrative ordinances.

A Long Process? "I hope so."

¶16. (C) There is an involved, two-tier process for Japan Post Insurance to gain approval for a new cancer product, Yasui explained. First, JPI must submit a request to the FSA and MIC for relevant administrative ordinances to be revised. The FSA Commissioner and MIC Minister then request the PSPC to render an opinion, after which the FSA and MIC consider the request based on the PSPC's guidance and other applicable laws.

¶17. (C) Second, Japan Post Insurance would have to file an application for the specific new cancer product. Yasui

TOKYO 00000616 002 OF 002

stressed the product application would have to be considered again by the PSPC, based on how it would affect the postal privatization process relative to privatization's twin aims: providing sufficient "management freedom" to transition the postal entities towards private sector status while ensuring "equivalent conditions of competition" in the market. Yasui implied, based on an administrative ordinance request Japan Post Insurance made in April 2008 (and which has as yet not been resolved), that the two-tier process would present challenges for JPI.

¶18. (C) Asked directly if he meant the process would be a long one, Yasui responded, "I hope so" before self-correcting to "I assume so." In a subsequent conversation Yasui provided his personal opinion, asserting the FSA is now the only agency involved in the application process that wishes to keep the process rules-based and apolitical. MIC Minister Hatoyama, he said, wants to market himself to voters as "proud" and "fighting evil." PSPC Chair Tanaka, for his part, "has empathy" for Japan Post Insurance and "is concerned with the equity story" of its preparations for a successful IPO. He urged the U.S. government to recognize the FSA's efforts to ensure equivalent conditions of competition, vice MIC and PSPC actions, when engaging the Japanese government on postal privatization issues.

Not For Foreign Countries to Criticize

¶19. (C) At about the same time Yasui was speaking to econoff, MIC Minister Hatoyama reportedly told the press -- prior to Japan Post Insurance's public announcement it had requested a revision to administrative ordinances -- that he would like to see the approval of the postal insurer's application for a new cancer product "for the benefit of the Japanese people." Moreover, press report he said that the topic is something about which "foreign countries should not be saying this or that."

¶10. (SBU) U.S. insurance industry representatives, in multiple conversations with emboffs, expressed their "shock" at the "boldness and audacity" of what they called a "direct, frontal assault" on Japan's international trade commitments. That Minister Hatoyama expressed his opinion on a product

application before any of the legal steps in the approval process have been undertaken -- and before the application has even been filed -- shows how the process has been politicized and that a level playing field is far from being established.

¶111. (SBU) Charge subsequently contacted Assistant Chief Cabinet Secretary Hayashi's office to lay down an immediate marker and convey U.S. concerns about Japan Post Insurance's actions, Minister Hatoyama's comments, and the politicization of the process. Charge and ACCS Hayashi are expected to discuss those concerns by phone late in the evening of March

¶19.
ZUMWALT